

STATE OF TEXAS §
COUNTIES OF ARANSAS §
SAN PATRICIO AND NUECES §
CITY OF ARANSAS PASS §

On this the 26th day of March, 2007 the City Council of the City of Aransas Pass convened in a Special Called Council Meeting being open to the Public at the regular meeting place thereof in the City Hall and notice of said meeting giving the time, place, date and subject hereof having been posted and prescribed by Chapter 551 of the Texas Government Code with the following attendance to wit constituting a quorum.

PRESENT: Frank Hametner Mayor
Tommy Knight Mayor Pro Tempore
Jay Attaway, Council Member
Grace Chapa, Council Member
Vickie Abrego, Council Member

ABSENT:

ADMINISTRATIVE
PERSONNEL PRESENT: Mike Sullinger, Interim City Manager
Allen Lawrence, City Attorney
Ada Owens, City Secretary

ADMINISTRATIVE
PERSONNEL ABSENT: None

STAFF PRESENT: Darren Gurley, Public Works Director
Sandy Roddel, Finance Director

OTHERS PRESENT: Mary Ann Cavazos, Harlan Roberts, Hope Comingore, Virginia Bufkin,
Randall Freeze, Ralph & Lu Arcemont, Earl Buckmaster

(There may have been others present who did not sign in.)

ITEM 1. CALL MEETING TO ORDER.

Mayor Hametner called the meeting to order at 5:30 p.m., March 26, 2007.

ITEM 2. CONSIDER AND ACT ON APPROVAL OF RESOLUTION 2007-580 BY THE CITY COUNCIL OF THE CITY OF ARANSAS PASS, TEXAS AUTHORIZING AND APPROVING PUBLICATION OF NOTICE OF INTENTION TO ISSUE CERTIFICATES OF OBLIGATION; COMPLYING WITH THE REQUIREMENTS CONTAINED IN SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12, AND PROVIDING AN EFFECTIVE DATE.

Mr. Mark McLiney with Southwest Securities, the City’s financial advisor, introduced his associate Mr. Ryan Cunningham.

Mr. McLiney stated the Council was meeting to consider authorizing the issuance of Certificates of Obligation and Notice of Intention not to exceed \$5.6M for Certificates of Obligation (COs) for the purchase of land in and around the Conn Brown Harbor. He stated if it is Council’s pleasure, the Notice would be authorized and published for two weeks (two issues) in the official newspaper. Council would then have the ability to authorize an ordinance issuing the Certificates of Obligation at the next meeting. Consideration of the Notice of Intention was tonight, the first publication of the Notice would be March 28 and the second publication would be April 4. Issuance of the Certificates would be on the April 16 agenda for approval. If the City Council approved the issuance, the funds would be wired to the City’s depository on May 3.

Mr. McLiney explained the historical assessed valuation, assumptions, issues and schedules associated with the issuance to the Council. (Issues, tables and schedules are attached to the minutes) He stated the City could easily handle the shortfalls in 2007 through 2009.

Mr. McLiney stated the object of the Certificates was to purchase the Harbor property from the General Land Office (GLO), but because the CO’s will be tax exempt, the airport property will be excluded under the financing due to the private activity. (Airport is now leased to an individual doing business as a RV Park.) He stated because the LWR property is not part of the Harbor so it would also be excluded.

Mr. McLiney stated because the City’s earlier borrowing was bank qualified, the City will be limited to a total amount of \$10M for the calendar year. The City previously issued a \$4,435,000 bond, so the maximum amount of the proposed CO’s will be limited to \$5,565,000. The shortfall between the purchase price and the borrowing amount must be paid from cash balances and the cash balances could be repaid from a future bond issue. He stated the CO’s will be issued as tax exempt bonds, carrying the lowest possible interest rate. The CO’s will be callable at any time, with penalty, in order to offer the City the flexibility to call the CO’s in the event of private activity. He stated the

City is prohibited from borrowing tax exempt if the property is for development. He stated the cash (from the Co's) would pay for the Harbor property and City land would be swapped for the LWR and airport properties.

City Manager Mike Sullinger stated he thought Mr. McLiney had developed a very conservative plan that would be easily executed and the funds needed for the shortfall were no problem at all.

Mayor Pro Tempore Knight stated the City was getting ready to do Phase 1 environmental studies on the LWR property and asked is the two week study from Naismith promised three months ago ready?

Mr. Sullinger stated the study from Naismith would be ready soon.

Mayor Pro Tempore Knight expressed his concern regarding the environmental issues on the GLO property, asking what if there were insurmountable environmental issues? He asked could the City work out the environmental issues before committing to the CO's?

Mr. Sullinger stated the Weston Engineering firm will work on the environmental study for the LWR and airport properties for \$7,500.00 fee and complete Phase 1 on both properties.

Mr. McLiney stated he could come back in 60 days and present the Notice of Intent and the sale of CO's later this summer. He stated the Council could proceed if they remember there is a "callable at any time", the Council could sell the bonds, put the money in the bank and the City wouldn't pay for the land until the environmental is done, but they would pay for the issuance. The less risk would be to do the CO's in 30 to 60 days, but would that be quick enough for the closing with the GLO?

Mr. Lawrence stated an environmental study also has to be done on the swap tracts.

Mr. Sullinger stated not signing the GLO contract on time would be a greater risk than taking a chance on the environmental study, he did not think there was that much environmental problem and the City still needs the property. He stated he thought the State would help the City clean the property. He stated there was good feedback from the TCEQ and Superfund regarding the harbor property and if there was an environmental problem the State would help clean it up. He stated waiting for the interest rates to go up is a greater risk.

Mayor Hametner asked what would be the penalty if we had to refund the CO's?

Mr. McLiney stated if the market does not move or it moves one basis point higher, nothing. The risk would be if the market moves one percent lower or it moves $3\frac{1}{4}$ to $3\frac{3}{4}$, dramatically lower. It is formula-driven and he could not give the Council a dollar figure because it would depend on what the ten-year treasury was doing versus other indicators.

Mayor Pro Tempore Knight stated he had talked to former Mayor Bill St. Clair who told him a massive clean-up of the harbor was done in 1993 and received a "clean bill of health" from all the environmental agencies.

Mr. Sullinger stated there had never been an environmental study done, so how could anyone say there was a \$50M clean up to be done.

Council Member Chapa asked could the Council guarantee the people that the taxes would not be raised?

Mayor Hametner stated they could never guarantee.

Council Member Chapa asked then the taxes could be raised because of this (issuing the CO's)?

Mayor Hametner stated there was a very, very slight possibility, but there was a possibility that the taxes may go lower in the future.

Mr. Sullinger stated over the last eight to ten years the tax base has been increasing by 11% and Mr. McLiney was using a very conservative 7% increase to figure the CO's. The way the issuance was figured, it was very doubtful taxes would be raised.

Council Member Chapa stated it seemed the environmental (cost) would be a large amount.

Mr. Sullinger stated if the environmental cost was going to be a large amount, he would suggest the City wait for the TCEQ or other State agency to help the City clean the harbor up.

Mr. McLiney stated in that event, and if the purchase of the GLO property moves forward, he would not suggest paying it back, he would suggest putting the CO's in the bank. Once the harbor is cleaned up, the Council would want to buy the GLO property.

Mayor Hametner asked if the City issues \$5.5M in CO's and the money sits in the bank and the City was borrowing at 4 3/8%, why couldn't we put the money in Texpool, is it against the law for the City to arbitrage?

Mr. McLiney stated yes and no, if the money is spent within a certain amount of time the City can make and keep the profit, but in the fifth year the difference in the percentage paid and the percentage earned would have to be paid to the U.S. government. He stated if the City could manage the \$210,000.00, the purchase would not affect the tax rate.

Discussion was held on issuing bonds for the new civic center.

Mayor Pro Tempore Knight made the motion to approve Resolution 2007-580 authorizing and approving publication of Notice of Intention to issue Certificates of Obligation, complying with the requirements contained in Securities and Exchange Commission rule 15c2, and providing an effective date. Council Member Attaway seconded the motion and the motion carried 4 to 1 with Mayor Hametner, Mayor Pro Tempore Knight, Council Members Attaway and Abrego voting yes and Council Member Chapa voting no.

ITEM 3. ADJOURNMENT OF MEETING.

Mayor Hametner adjourned the meeting at 6:03 p.m.

ATTEST:

Frank C. Hametner, Mayor

Ada Owens, City Secretary